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Publication Extracts Which Present Diversified Viewpoints

On The Question

DO FARMERS WANT HIGH TARIFFS ON FARM PRODUCTS? ON INDUSTRIAL PRODUCTS?

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General Survey Of The Tariff Situation: Report Of Commission Of Inquiry Into National Policy In International Economic Relations. Members: Robert M. Hutchins, University of Chicago; William Tudor Gardiner, Incorporated Investors, Boston; Carl L. Alsberg, Stanford University; Isaiah Bowman, New York Nat'l. Research Council; Guy Stanton Ford, University of Minnesota; Beardsley Ruml, R. H. Macy Co.; Alfred H. Stone, Mississippi Tax Commission.

"Despite the European trend toward self-sufficiency in food-stuffs, the United States should, nevertheless, exert every effort to break down the high tariff and other trade and quantitative restrictions erected against American agricultural products. If these foreign markets cannot be largely restored by a new national policy in international economic relations, agriculture may be forced to accept continued regimentation or voluntary curtailment involving the withdrawal of millions of acres of land from productive use and the wholesale resettlement of rural populations.

"Obviously we can make no headway in this direction unless we offer something in return. These concessions will cost us some dislocation in certain inefficient industries now unduly protected; but as a nation we shall get not only a quid pro quo, but, what is enormously more important, a better equilibrium and balance in the international situation, under which each nation can obtain a more secure domestic prosperity. The general balance thus arrived at would be infinitely more important than the benefits derived from any special trading of concessions.

"This raises at once the question of the recently enacted power granted to the President, with the advice of the various appropriate agencies of the government, to negotiate reciprocal trade agreements with foreign countries. The President should be given this power, not only in the temporary emergency, as in the act of June 12, 1934, but permanently. These powers should be used for the broad purpose of liberalizing commercial policy throughout the world.

"In the negotiation of reciprocal trade agreements, the aim of special advantage should be subordinated to the larger purpose of broadening the channels of world trade. This is the position which has repeatedly been taken by Secretary Hull. One must remain apprehensive of the principle of bilateral trade agreements unless this larger end is constantly and firmly held in mind. Unless the concessions made are generalized to all countries, such agreements often tend to engender international friction, which is likely to lead to counter tariff reprisals. Preferential agreements are likely to disturb established currents of international trade. A market gained in one place may likely--in the case of standardized commodities traded on exchanges, certainly--be lost elsewhere. Such agreements too often foster imports from countries not best adapted to the production of the commodity in question. Moreover, such arrangements frequently endanger the vast volume of triangular world trade. These objections can only be overcome when all concessions are freely generalized under the unconditional most-favored-nation treatment.

"Under existing conditions it is plain that progress in commercial policy can be made only through reciprocal trade arrangements. These agreements are now made generally under administrative or executive authority either permanently, without legislative approval, or temporarily, until legislative approval, more or less perfunctory, is secured. Under conditions now prevailing in the world it appears to be quite impossible for the United States to protect its legitimate interests in foreign trade and to improve its international economic relations without making, as rapidly as possible, trade agreements with foreign countries. These agreements should be carefully prepared with intimate knowledge of the trade position of each commodity involved, of the flow of commodities between the United States and the country in question, and also between each of these countries and all other important countries. Only in this way can all the ramifications and possible disturbing effects of the proposed agreements be adequately appraised, and pitfalls and dangers thereby avoided.

"Since in general (in view of the creditor position of the United States, and in view of the collapse of the foreign market of our leading export industries) the imports of the United States, in relation to exports, are unduly low, it should be the special concern of the American authorities to hunt out things which can be imported and marketed without too serious disturbance to our established industries. The new trade agreements act affords an opportunity for the Tariff Commission to abandon altogether its studies of cost of production at home and abroad--a task based on a wholly fallacious theory of tariff making--and devote its attention to intensive studies of suitable imports into the United States.

"It is, for example, quite possible through a seasonal adjustment of the tariff on perishable products to admit a considerable volume of imports from countries which at first thought appear to present insurmountable difficulties. Through seasonal tariff arrangements, our consumers may obtain products which in our off-season they would otherwise have to go without or for which they would have to pay exorbitant prices; yet the importation would injure domestic producers little if at all. If the imports threaten to be dangerously large, a limited quantity might be admitted free, or under a low tariff, while any importation above this amount might be made subject to an almost prohibitive duty. A careful study of commodities that might be admitted by the lowering or complete removal of the tariff in our off-season is merely an illustration of what might be accomplished if import possibilities were thoroughly explored through continuous and intensive research.

"While recognizing the necessity and utility of bilateral trade agreements, under existing conditions, the possibility of multilateral agreements between three or more countries should be thoroughly explored. Such an agreement should leave the door open for the admission of other countries on equal terms.

"Were a unilateral tariff reduction under consideration certain general formulas could appropriately be applied. A tariff-bargaining program involves, however, greater complexities. Yet even in this case it is useful to hold certain general formulas in

mind. Included among these are the following: first, a reduction of rates on commodities the imports of which do not equal 5 per cent of the domestic production; and second, reduction of rates on all specialty manufactures and handicraft products, that is, dutiable articles more or less non-competitive and with respect to which foreign countries possess a marked advantage in production.

"In a carefully prepared report of the Tariff Commission on 'Economic Analysis Of Foreign Trade In Relation To The Tariff' (Senate Document 180, 72 Congress, 2 session) 940 items, covering 112 pages, are listed of which the imports represent less than 5 per cent of domestic production; and 360 items are given listing commodities which are essentially non-competitive in character and in which foreign countries possess an advantage.

"No industry would be threatened seriously by an importation equal to 5 per cent of domestic consumption. Indeed, consumers certainly, and producers quite probably, will gain thereby--the former in variety and quality of products available, and the latter by the stimulus to efficiency and alertness to the requirements of consumer demand which a measure of foreign competition affords. Moreover, a large increase in the importation of the articles of specialty manufacture and highly skilled labor benefits not only our consumers but also agriculture and our mass production industries, which need larger outlets in foreign markets.

* * * *

"It has been suggested that a system of bounties or subsidies might be substituted for the tariff. One great advantage of the subsidy system is that it definitely focuses attention upon the public contributions made. At a time when agriculture is demanding and obtaining subsidies, it is important to see clearly that subsidies and tariffs are, from the standpoint of the public burden imposed, essentially similar. There has been much loose talk by politicians of making the tariff effective for agriculture. At last the farmers have found the only device by which this can, in effect, be in some measure accomplished: that device is the subsidy. If industrial tariffs are not lowered, there is the greatest danger that we shall be loaded with the double burden--industrial tariffs and agricultural subsidies.

"Looking to the future, it is of the utmost importance that nations come to a realization that the tariff can no longer be regarded as a purely national issue. The depression should by now have taught us that the world has become highly interdependent, that every country has become extremely sensitive to disturbing influences from abroad, and that the repercussions from the imposition of serious obstacles to international trade endanger world equilibrium and in turn the internal economic stability of the offending country itself. From this it follows that there ought to be an international agreement to the effect that no nation may tamper with its tariff without international consultation and negotiation. Deliberately to disrupt established channels of trade ought to be made, by international agreement, an act of bad faith."

Economic Commission
"International Economic Relations"
(Reprints obtainable)
University of Minnesota Press 1934.

Tariff Is No Longer A Domestic Issue:

Hon. Cordell Hull

"In his message of March 3, 1921, returning the so-called emergency tariff bill to Congress without his approval, President Wilson pointed out that the United States had become a creditor nation and that Europe was in debt to it both governmentally and commercially. He noted that these debts could be paid only by the establishment of private credits, by the transfer of gold, or by the delivery of commodities. The first method was not possible, he said; the second was also not possible, but even if it were, would prove embarrassing to us; and that left only the third way. President Wilson then continued:

"If we wish to have Europe settle her debts governmental and commercial, we must be prepared to buy from her, and if we wish to assist Europe and ourselves by the export either of food or raw materials or finished products, we must be prepared to welcome commodities which we need and which Europe will be prepared, with no little pain, to send us.

"Clearly this is no time for the erection here of high trade barriers. It would strike a blow at the large and successful efforts which have been made by many of our great industries to place themselves on an export basis. It would stand in the way of the normal readjustment of business conditions throughout the world, which is as vital to the welfare of this country as to the world, and it can discharge this duty by widening, not contracting, its world markets.'

"This warning of President Wilson, which in the light of subsequent events may be called a prophecy, was not heeded. To the folly of the emergency tariff was added the Fordney-McCumber tariff, with its then unprecedentedly high rates. But though we thus discouraged importations, we still insisted on keeping up our exports. When we found other countries unable to buy because their goods were refused even to the extent that would have been highly profitable to us and they had no cash or could arrange no credit, we provided them with both to the extent of billions of dollars. These loans, largely improvident, bore little or no relation to sound foreign loans and investments which are justifiable as a general policy. For six or seven years, we played this merry game of booming business by both selling on credit and buying from ourselves. The show looked so good to those who never thought to peep behind the scenes or to examine the fragile supports of the stage that they determined to continue the engagement. The Hawley-Smoot Act of 1930 lifted the tariff rates still higher into the realm of fantasy. About that time, we decided we would like to have some of the money which we had lent foreigners to buy our goods paid back. Then to our amazement, we found much of this could not immediately be paid, and probably never would be. So a great deal of our glittering volume of exports became simply a present of several billion dollars worth of commodities to other peoples.

"How many times many of you, in looking back over these last years, must have regretted that this country failed to sense and seize the great opportunity that was offered to it just after the War! Is there any intelligent, unprejudiced student of events who does not now realize the soundness of President Wilson's warning given thirteen years ago?

"The appalling repercussions of the 1930 Tariff Act upon our own domestic prosperity brings home the lesson that in this day and age the tariff is no longer a purely domestic issue. We learned that a prohibitive protective tariff is a gun that recoils upon ourselves. The time was when we could fix the tariff to suit ourselves without serious injury to our exports, then consisting largely of raw materials of which we were the chief source of supply. That day is gone. We now face vigorous world competition in both our agricultural and our industrial products. Slamming the door shut against foreign products, we have found the door shut against our own products. Other countries were forced to raise their tariffs as a means of protection in retaliation for our own exclusive attitude. At last, with most countries frantically building barriers of tariffs, quotas, import licenses, and exchange restrictions against their neighbors, international trade has been choked down to a fraction of what it was. With a cessation of our foreign lending, we have found that we cannot continue to export without importing goods. The blocked balances which our exporters are now facing in various parts of the world are the conclusive proof that exports cannot continue indefinitely without an expansion of imports. Foreign countries do not have the purchasing power with which to pay for our goods. They cannot borrow indefinitely. They cannot send us any appreciable additional quantity of gold. We have reached the end of the road. The frail stage of our play-acting has collapsed and our dream world dissolved."

"International Trade"

By Honorable Cordell Hull

Address - World Trade Dinner - Nov. 1, 1934

Vital Speeches -- November 19, 1934.

How Tariff Effects Domestic Supply And Price

T. N. Carver

"Professor Dodd continues his argument with the statement that 'when he (the farmer) buys his supplies he must pay prices maintained at high levels by governmental aid.'"

"That is sometimes true and sometimes not. A sweeping statement of that kind is presumably based on the theory that a protective tariff is always added to the domestic price of the protected article. That

assumption is contrary to fact as well as theory. The domestic price of any commodity is determined by the relation between the supply of, and the demand for, that commodity. We may assume that the domestic demand for a commodity is not affected by a tariff on its importation. How then does the tariff affect the domestic supply?

Summing up the situation

"The undoubted effect of a tariff is generally to reduce the quantity imported, but that does not tell the whole story. If the quantity produced at home should increase as the result of the tariff, that at least partially offsets the diminution in the quantity imported. Without going into a statistical study of this problem, the following remarks probably cover the case.

"First, if the commodity is not produced at all at home, there will be nothing to offset the diminution in the quantity imported. In this case, the tariff reduces the supply on the home market and the price will naturally rise.

"Second, if, as the result of the tariff, the domestic industry is so stimulated as to increase the domestic production in exact proportion as the importation is diminished, the total supply on the home market will not be changed and the price will not rise at all.

"Third, if the home production should increase less than enough to offset the diminution in the quantity imported, there will be some decrease in the supply on the home market and the price will rise somewhat, but not to the full extent of the tariff duty.

"Fourth, in case domestic production should be so stimulated as to more than offset the diminution in the quantity imported, there will be an increase in the supply and the price will fall.

It may work both ways

"It is a rather naive assumption that a tariff duty must always be shifted forward on to the home consumer rather than backward on to the foreign producer. Under the theory of probabilities, unless there is some positive reason for thinking otherwise, the chances are just as great in favor of shifting backward as of shifting forward.

"The question really hinges on the conditions under which the domestic product is produced. Sometimes large-scale production is cheaper than small-scale production. When the domestic industry is permitted to expand, it may actually lower its cost of production. The only question is 'Will the consumers get the benefit?'

"That depends upon whether there is enough competition among domestic producers to force them to reduce their prices in proportion as they reduce their costs. In some cases at least, this occurs. Some things the farmer has to buy cost him no more than he would have to pay if there were no tariff duty. Farm machinery and automobiles are examples.

"Whether, on the whole, the farmer gains more than he loses under our system of protection is a debatable question. I do not think anyone, so far, has enough information to be able to answer that question categorically one way or the other. The probabilities are that some farmers gain more than they lose and others lose more than they gain from our protective system. Beyond that, no one who weighs his words is likely to go."

"Can Farmers and City Men Both Prosper?"

T. N. Carver

Nation's Business

March 1931

(Selection made by Staff.)

Administrative Measures Have Supplemented Tariff;

Gyan Chand

"The dwindling of the volume and value of international trade is undoubtedly, at least in part, the result of the rise of tariffs and various measures which have been taken by Governments either to safeguard the economic position of their people or promote policies dictated by the dominant political creed or exigencies of their political situation. It is well-known that in recent years the measures of administrative control have played a much more important role in the regulation of trade than tariff changes, frequent and important as the latter have been, and taken together constitute a much more serious impediment to the unhampered flow of international commerce than tariff changes. These administrative measures bear on their face the stress under which they have been conceived and put into force, and can, therefore, be regarded as emergency devices which rapid changes of prices, onset of the world depression, abandonment of the gold standard and consequent currency warfare and hostile fiscal policies of other countries have forced upon the sorely harassed governments of all countries.

"The administrative measures referred to above have taken the form of quantitative restrictions on imports and, in a few cases, on exports. The methods by which this end has been achieved have varied from country to country, but prohibiting or licensing of imports, fixing of quotas for different countries, exchange control and barter and clearing agreements by which balance of bilateral trade is secured, are measures of administrative protectionism which have generally been adopted."

"The Theory of International Trade and Recent Developments"
By Gyan Chand, Prof. of Econ., Patna University
Indian Journal of Economics - April 1935.

We Ought To Close Trade Gates:

J. E. Pickett

"One of the evils of the reciprocal tariff idea is that it arouses hopes of a lean penny to be found in some foreign market while we lose a fat dollar in the home market.

"It glosses over the fact that we are already the greatest free trade country in the world, and so sends us on a wild goose trade adventure where the only possible thing the farmer can hope to get is more disadvantage. * * * * * Instead of looking for something else to give away, we ought to be closing some of our trade gates."

"Hit the Reciprocal Tariff Now."

J. E. Pickett

Pacific Rural Press

May 25, 1935.

Don't Farmers Have A Tariff?

"If our manufacturers of hats and watches can get a tariff to keep out foreign competition, then why can't the farmers do the same thing?

"The farmers did ask for a tariff and they got it. But it didn't help them much. A tariff does not protect unless it keeps out goods that would otherwise come in. Tariff or no tariff our farmers have little competition from abroad except upon a few staples like sugar, wool and flaxseed, and specialties such as lemons and walnuts. We consume very little foreign eggs, butter, beef, pork or flour. Tariffs on these great staples cannot help American farmers. Neither can tariffs do anything to raise the prices of lard, cotton, tobacco, apples, condensed milk and many more farm products that are exported to foreign markets. They sell at world prices which cannot be raised by an American tariff."

The Farm Business
Roman L. Horne
Univ. of Chicago Press
1935

Reasoning For And Against Low Tariffs: S. C. Wallace

"The chief item on the agenda of the old line Democrats is tariff reduction,--reciprocal tariff reductions of 5, 10 or 20 percent, as the exigencies of international bargaining may dictate.

"This in their opinion would accomplish two things: First, it would introduce an element of competition into many aspects of American industry which, for a long time, has been lacking because, despite the anti-trust laws, large sections of American industry have been semi-monopolistic in organization. Second, this European competition would force a lowering of prices on the part of the industrialist to a point more nearly commensurate with the level at which agricultural commodities are now selling. In other words both agriculture and industry would be selling in a world market at a world price. No longer would the farmer be forced to sell in a free trade market but buy in a protected one.

"Such a policy, its proponents admit, would undoubtedly cause considerable temporary hardship. It might indeed throw many industries into bankruptcy, and force a reorganization of their capital

structure. It would, nevertheless, establish the basis for a real and lasting recovery. The mere fall in industrial prices would enable the American farmer even with his present cash income to order larger and larger consignments of goods. This policy would, they add, facilitate the exchange of goods throughout the entire world.

"Likewise, it would consequently restore once again an era of business activity. This era of business activity would, in and of itself, do much to increase the demand for farm produce both at home and abroad with a larger and larger cash income for the farmer. With an increasing demand, agricultural prices would once again begin to rise and the equilibrium between the agricultural and industrial portions of America be again restored. More than that it would restore once again world prosperity, without which, in the opinion of the internationalists, national prosperity is exceedingly questionable if not impossible.

"To the nationalist this line of reasoning with regard to our agricultural difficulties is by no means convincing. Two problems remain unsolved by it: First, the problem of over-production; second, the problem created by the tremendous burden of debt under which the farmer is laboring.

"As the nationalists see it, the internationalists assume that the lowering of tariff barriers would create a demand for agricultural produce of such a character as to absorb not alone the output of the American farmer, but of the entire world. This assumption, the nationalists believe, simply fails to take into consideration the potentially expanding character of farm production. As they see it, if agriculture is left to itself in the future as it has been in the past, the development of still more effective farm machinery, a wider and wider use of scientific methods of agriculture, and a bringing of a larger and still larger portion of the earth's surface into cultivation will once again, and very shortly, re-create the very situation which has contributed so largely to the present debacle. And, if this analysis is correct, agricultural prices, although they may rise for a few months or a year, will once again start spiraling downward, leaving the farmer with just exactly as heavy a burden of debt in relation to his income as he has today. In other words, from the point of view of the nationalists, internationalism saves nothing.

"One should perhaps call attention to the fact that there are two wings of the nationalist group: First, the ultra-nationalists who desire the development of some degree of planned economy--of a concert of interests within America--without any reference whatsoever, save where necessity compels, to the international community. Second, the intra-nationalists, who believe that the fundamental problem is the development of a balanced economy within our own borders, but who concede not only the necessity but the desirability

of working out through a series of trade agreements with other nations something approximating a world concert of interests--a world economy.

"To the nationalists, of whichever wing, the first step in the attack upon the problem of agriculture is the curtailment of agricultural production. Only thus, they believe, will it be possible to raise agricultural prices to a level at which the farming community will receive its due share of the national income.

"A number of questions inevitably arise.

"First, is this nationalistic policy fundamentally sound? Can we starve ourselves into prosperity?

"Second, is this program administratively effective? Will it be possible to reduce crop production through the machinery thus set up or will individual acquisitiveness find a way to obtain both the subsidy and surplus crops?

"Third, if the program is administratively possible, how many agricultural laborers will shortly find themselves on the relief rolls, discharged because the reduction in acreage has made it possible for the owner to get along without them?"

"Internationalism Vs. Nationalism"
By Schuyler C. Wallace
Today -- December 9, 1933

Duties Should Be Applied To Equalize Prices: L. J. Dickinson

"Yet attack on the export problem must begin with correction of the disparity in prices which in recent years has existed between American and European markets. There is only one logical point at which this correction can take place; that is at the customs boundary. The whole American tariff system is based, not on revenues so produced, but on protecting what we have called the American standard of living. This includes the farmer and his domestic market quite as much as the industrial worker. No tariff can be a fair tariff which does not recognize this joint partnership of industry and agriculture.

"Now there can be no question of dislocating government finance if the duties collected on foreign imports should be applied

toward equalizing these foreign and domestic price differentials. This is a logical step in working out a balanced national economy. Instead of the cost of agricultural readjustment being borne by domestic industry, it is transferred where it rightly belongs, to foreign goods and commodities which compete in the American market. The burden now carried by consumers is lifted and domestic markets are freed of present restricting influences. This in itself constitutes an important advance over the weaknesses inherent in the present benefit plan. These, as I have pointed out previously, tend to aggravate rather than to correct present maladjustments. * * * *

"Instead of negotiating, as at present, bilateral agreements, which have proven largely barren of results because each side seeks to make minimum sacrifices, there is created an incentive toward cooperation which practically assures the success of such treaties. The existing impasse of stifling restrictions and reprisals, which threaten the peace of the world, is broken down and that interchange of commerce between nations, out of which grows international economic stability, is once more established."

"Agriculture and Its Future"
By L. J. Dickinson
Address November 4, 1935

Methods For Handling Tariff Revision: Economic Commission

"It has been shown in this report that enlightened self-interest dictates that the American tariff be lowered in order that our international accounts may be balanced in a normal way through the medium of enlarged imports. It is also to our interest to improve world psychology by saying to the world clearly and beyond possibility of misunderstanding that America is about to turn its back on tariff raising and to face squarely the other way. It is unnecessary here to take up the hoary free trade versus protection controversy and thresh over old straw. Such lowering of the tariff as is under consideration here has nothing to do directly with free trade or protection. Its purpose is merely to balance our foreign accounts by the simplest and most direct method, an increase in imports. One may still remain a protectionist and yet admit the wisdom of lowering tariffs sufficiently to admit enough imports to secure a sound balance of our international accounts.

"The Commission is of the opinion that at the present juncture no general substantial horizontal lowering of the tariff

is advisable because extensive dislocations of industry are dangerous in times of stress. It believes that even a moderate general horizontal lowering of the tariff is unwise at all times because its effects are unequal. It corrects no injustices and introduces new ones.

"The 'gradual' reduction of tariffs is often advocated. If by this is meant reduction by some general rule applicable to all rates alike, the proposal is unsound because discriminatory. A tariff that is prohibitive at, say, 100 per cent, does not gradually become less and less prohibitive in direct proportion to the reduction of the rate. The effect is small until the rate has been reduced to a certain point, when the effect of further reduction suddenly becomes large. At this point the least efficient concerns begin to be forced out. Further reduction forces out the less efficient until a point is reached at which either no producers remain or only those efficient enough to compete with foreign producers. Reduction beyond this point has little effect. In this sense there can be no 'gradual' reduction of rates except in special cases.

"But there is another sense in which a tariff may be reduced gradually. This is to deal one by one with the different rates, for then reductions can be made after the consequences have been forecast by careful study, and untoward effects guarded against.

"The Commission does not recommend that tariff reductions be made only through reciprocal trade agreements, if the reductions are of the types suggested below which minimize the danger of adding to unemployment. No doubt a great many goods would be imported that are now excluded; but there is no danger of a long-continuing flood of imports without compensating United States exports or interest payments.

"It may be objected that what the United States needs primarily is export markets for its agricultural surplus; and that reciprocal trade agreements might be used to force such exports. It is, however, exactly our raw materials and foodstuffs that industrialized countries want and they can be depended upon to take these, as well as mass production goods, if it is made possible for them to sell more in the United States.

"The United States could do nothing that would be more effective in clearing the clogged channels of world trade than to lower its own tariffs substantially.

"The Commission has stated its conviction that whatever tariff reduction the United States undertakes, lowering of rates of duty should not depend upon the securing of equivalent concessions from other powers. Such a course is at present impossible because Congress has not been willing to contemplate the lowering of rates except through reciprocal trade agreements negotiated by the

President. The Commission believes that these powers should not be vested permanently in the President, but only until recovery has been achieved. After recovery there should no longer be need for such higgling over tariffs and other trade barriers as many, including Congress, now believe to be necessary. After recovery the tariff may be revised further, as may be demanded by our then creditor or debtor position, according to some such procedure as that suggested above in connection with the recommendation that the status of the Tariff Commission be improved.

"The Tariff Commission should be given independent status with authority to fix rates in accordance with principles laid down by the Congress in laws; the Commission's interpretation of these laws would be subject to review by the courts in the usual way.

"Under the proposal made in this report it would become the duty of the Tariff Commission to investigate rates and classifications from time to time to determine whether they were in compliance with the principles enacted by Congress in laws. If the findings of the Tariff Commission, made after due opportunity had been given to all interested parties to present evidence, were that a given rate or classification failed to comply with these principles, the Commission would be required to alter the rate or classification accordingly, and to give notice thereof to Congress. Upon failure of Congress to reject these rates they would automatically go into effect after sixty days. This would not take the tariff out of politics by any means. The members of the Commission would remain political appointees, the general tariff policy would be changed by Congress from time to time in accordance with the dominant national interests and the shifts of public opinion. But rates would be proposed after careful study; Congress would not control every little detail of tariff making, and the opportunities for logrolling would be reduced.

"For the present the power to make reciprocal trade agreements would have to rest in the hands of the President, because diplomatic problems only remotely of an economic nature are also involved. These the Tariff Commission is not qualified to handle but no reciprocal trade agreement should be approved that has not been arrived at through the fullest cooperation between the Department of State and the Tariff Commission."

"International Economic Relations"
Report of Economic Commission
Publ. by Minnesota Univ. Press - 1934
International Economic Relations
(Reprints Obtainable)

A Proposed Method For Making Tariff Rates: J. D. Black

"Have Congress decide the policy of the country with respect to production and consumption of each product; for example, have Congress determine whether the United States is to produce all of its own flaxseed, with absolutely no importations, or instead only enough so as to keep safely this side of an export surplus so that the tariff will always be effective, or instead, some fraction of the domestic consumption, such as 60, 70, 80 per cent, etc. Then delegate to the Tariff Commission the task of determining the import duty, using the best-known scientific methods which will attain the ends which congress names. It will not be possible for the Tariff Commission to determine such rates with any certainty that they will work exactly as intended. Fluctuations in the yield from year to year will affect the results. But proceeding by the method of trial and error, the Commission should presently be able to determine upon a rate which has the desired results. Changing economic conditions and technical improvements in production may make it necessary to change the rates occasionally. Accordingly, the Commission will need to be on the job all of the time.

"The author believes that this second method is the right one. It represents the division of duties between the legislative branch of the government and the executive which is now coming to be recognized in government. The task of railway rate making is now divided in this way between Congress and the Interstate Commerce Commission. Matters of national policy in production should not be determined by commissions. Difficult tasks involving scientific determination should not be expected of Congress, but referred to commissions with trained specialists on their staffs. The time is surely coming when this principle of separation between legislative and executive will be extended to tariff rate making. It is important for all concerned to appreciate this thoroughly, and drive consistently in that direction."

"Agricultural Reform in the United States"
J. D. Black
McGraw-Hill Book Co.
1929

Trade Restrictions And The Depression: Hon. Cordell Hull

"Because of its wide knowledge and experience, the National Foreign Trade Council has always taken an enlightened view regarding the exchange of commodities between our country and others, and has been sympathetic to all efforts to facilitate this movement. I feel, therefore, that in deploring the strangulation of international commerce by quotas, embargoes, exchange restrictions, and other methods, and urging the immediate adoption of measures to release the victim, I shall be speaking to an understanding audience. But there are other elements in the public who are not so well informed, who still believe we can and should live to ourselves, and that we can safely ignore the interests of the rest of the world. Although there are indications that this belief is not so generally and passionately held as before the depression had caused us to do some hard thinking, it still persists in sufficient strength to make itself heard and felt. Our task is to persuade this class that their view is narrow and shortsighted, and that not only the general welfare but intelligent self-interest also demands that it should be abandoned. Economic education is one of the world's greatest needs today.

"No statistical stimulant is needed to arouse you to consciousness of the present sad state of international trade. But let me mention briefly a few striking figures. World trade comprising exports and imports, of a value of \$68,000,000,000 in 1929, had shrunk in 1933 to \$24,000,000,000, and the share of the United States in it had fallen from around \$10,000,000,000 in 1929 to about \$2,500,000,000 in 1933. Our domestic exports in 1932 were valued at \$1,576,000,000, which was the lowest figure for thirty years. Not since 1904 has their value been so low. For 1933, they had increased approximately \$100,000,000.

"In the light of such an appalling loss, how can any thinking person desiring his own and his country's prosperity fail to search out the causes of the disaster and seek to remove them? It should be obvious, it seems to me, that if this could happen when the country was under the highest tariff in its history, then high tariffs could not be the infallible and inevitable producers of prosperity they had been represented to be. Yet despite this very simple demonstration with its necessary conclusion, despite the fact that for nearly five years the nations of the world have had the most complete try-out of the policy of economic isolation and find themselves fundamentally worse off than before, there are those right now who are loudly demanding that tariff rates be still further increased.

"Naturally, I do not wish to say that the sharp reduction in international trade brought about by the various restrictions I have enumerated was the sole cause of the economic depression. But it must be admitted, I think, that it was one of the most potent

contributing causes. And it shows clearly to my mind how much a healthy, balanced, enduring domestic economy is dependent upon a smoothly-adjusted movement of goods among nations. If the world, as a whole, is to progress, we must get away from the shabby heresy that acceptance of the products of other countries is inimical to our own interests. Every import pays for some export, and export gives employment to labor and profit to industry. Everything we buy from another nation enables that nation to buy more from us."

"International Trade"

By Honorable Cordell Hull

World Trade Dinner, Nov. 1, 1934

Farmers Are Opposed To Protection As A National Policy

Wm. Gordon Stuart

"To farmers the tariff is a sore point. Every farmer naturally wants a high tariff on what he has to sell, but, altho the politicians may think otherwise, we farmers as a class are opposed to protection as a national policy. In past days the farmer, especially the Northern and Western farmer, was a believer in a high protective tariff. He raised practically all the food he consumed; his homespun clothes, socks, shirts, mittens, caps, and very often his underwear, his ax and pitch fork and shovel handles, his bob sled, and ox cart and part of his household furniture were all made at home. He purchased but little. In 1884 (I happen to have his account book for that year) my father, a well-to-do farmer, spent (leaving out his taxes, church dues, and life and fire insurance) less than \$100 cash money and that was for a family of five persons. But in these days a farmer is a buyer as well as seller. He has seen the tariff used to enrich the merchant and the manufacturers until millionaires in this country are as plentiful as tabby cats. He has seen the lobbyist, he has seen corruption and bribery and every form of governmental favoritism, flourish like the green bay tree in the soil of tariff. He has seen the hours of work decrease and the rate of pay increase year after year until now many forms of union labor are receiving from 400-3000% more per hour than they did twenty-five years ago. He remembers how President Harrison while extolling Republican prosperity and the Republican tariff, made the wonderful discovery that 'a cheap coat makes a cheap man.' He has listened to false prophets extolling high tariff and high wages with such wearisome iteration that now as he looks over his unpaid bills, his overdue taxes and his duplicate copy of mortgage deeds, he comes to the conclusion that with all due respect to Henry Ford and Arthur Brisbane and President Hoover and the Grand Old Republican Party he would like to try a change to low tariff and low wages."

"A Dirt Farmer Speaks His Mind"
Wm. Gordon Stuart
Atlantic Monthly -- March 1930.

Tariffs Do Not Benefit American Agriculture

Henry A. Wallace

"American agriculture has not benefited by tariffs, except spottily and for short periods of time. Despite that fact, both Republican and Democratic representatives of our agricultural regions have done their best to put up agricultural tariffs every time industrial tariffs were put up. Unfortunately for agriculture, most of the tariffs given to it are either immediately or in the long run worthless paper tariffs. In tariff matters agriculture has played Esau to the industrial Jacob. Cotton, wheat and lard obviously can never benefit from a tariff as long as we export half our cotton, one-fifth of our wheat, and one-third of our lard. Such products as butter, beef cattle, wool and flaxseed may be helped by the tariff for a number of years but, as the cotton, wheat and hog men shift their attention to the protected products, it is rapidly discovered that the tariff benefits, even on these products of which we do not have any exportable surplus, is a temporary thing.

"In well-developed countries like the United States and England, the maximum of consumers' wealth can best be attained with a low tariff. This is an economic truism, which so far as I know is not disputed except by politicians who have an axe to grind or those who, like the farmers of my native Iowa, have been made the intellectual, emotional and habitual victims of the class just mentioned.

"Since coming to Washington I have been called upon by many with similar proposals. It has astonished me to find that there is perhaps as much high tariff sentiment in the Democratic, and presumably more agrarian party today, as there is in the Republican party. As a matter of fact, the party line on this tariff question seems erased. Tariffs have become very largely a question of local interests and prejudices. I am especially interested to note certain rather enthusiastic responses to low tariff and world trade suggestions in our great eastern seaports. I think this is because certain people are beginning to see that free trade would tend in the future to develop the Eastern seaports, whereas a strictly isolationist policy would tend in general to develop the interior of the country.

"Foreign loans are all right provided at the time we make them we know that we are certain to have a tariff policy which permits their repayment. This means a totally different kind of tariff policy than we have ever had in the past. It means a considerable change in the psychology of the American people. Ideally it means when we make a loan anywhere outside the United States that we know approximately the quantities of the different kinds

of goods which we are going to accept from that nation in repayment. It means that we play the game in an even more definitely conscious way than England has played it with Argentina. England loaned money to Argentina to build railroads and furnished the railroad equipment. In return, England received from Argentina its wheat and cattle. With us the necessity for definite planning in our loans and our tariffs is much greater because our tariffs are so much higher. It is easy for foreign trade experts to talk about triangular and polyangular trade and thus avoid the necessity of forming clear-cut trade deals with a given country. But if we are going to trend toward internationalism, it seems to me that the only safe way to handle it is to conclude both loans and trade deals with foreign countries as nearly as possible on a bi-lateral basis and not get involved in the confusing complexities of triangular and polyangular trade with which the economists like to mess up our minds."

"America Must Choose"
Henry A. Wallace

Tariff Deprives Agriculture Of Fair Values

Pook and Johnson

"The result is to deprive our agriculture, in respect of its whole crop, of a fair value in terms of those articles for which the crop is exchanged on the domestic market, the purchase of which makes up the cost of crop production.

"Because it is presence of surplus and not the fact or fear of imports that creates this condition, agricultural tariffs--no matter how high--cannot cure or affect it. They could do so only if agriculture could divert surplus from domestic markets direct to export, and regulate supply to demand at home. Thus, and not otherwise, can agriculture secure fair exchange value for its sales to domestic consumption.

"Industrial tariffs afford protection for industry from cheap foreign competition, because industry can, must and does regulate supply to demand on domestic market. It can because it can control production. Even if over-produced, it is organized and financed to withhold surplus until demand at fair value absorbs it. It must, because failure so to do would destroy it by withdrawal of capital. It can elect when and whether it shall sell in export and at what price. Therefore, industry receives, and its prices reflect, the full tariff differential over world price for similar products.

"The farmer receives world price for what he sells. He pays protected price for what he buys. If there were no industrial tariff, he would pay a price fixed by world conditions and his crop would have a fair exchange value. By just so much as protected price of what he buys exceeds world price, is exchange value of his crop reduced. This is a heavy burden even in times of world prosperity, since all his production costs are fixed by the things he buys and his buying constitutes 40% to 60% of domestic commerce. It thus appears that at least 40% to 60% of the total benefit of protection to industry is achieved by a direct reduction from a fair exchange value for the farmer's crop.....

"Thus the attempt to operate the protective principle to the detriment of agriculture for the benefit of industry comes to the end of its tether.

"For reasons, stated under the preceding Point, it had come to that end even had conditions remained prosperous. For reasons stated under this Point, it is creating a cataclysm under present depressed conditions. We erected a tariff to protect our industry and our living standards from cheap foreign competition, but we left a breach in the agricultural curtain of our defense. World conditions, reacting through this breach have imposed a crop price so low that industry can restore domestic buying only by reducing to the level of farm price which is world price. This is free trade. Industry cannot do this without the same explosive change that would follow sudden adoption of free trade. America cannot suffer it without surrendering her superior living standards and getting down into the trough of things with the rest of the world. Tariffs no longer protect either industry or agriculture. The protective principle is stultified and, unless we can find a way to adapt it to present conditions, it will so continue.

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"The doctrine of protection must be revised to insure agriculture a fair exchange value for crop or the protective principle must perish.

"Fair exchange value is cost of production plus a profit. No industry can live on less. It was never supposed by the authors of protection that agriculture could. They found a way to compensate agriculture for the fact that it could not be protected by tariffs, as then conceived, and for the further and more startling fact, that, although unprotected, agriculture must pay industry half the benefit of protection. That way is gone. One of three things must happen. Either agriculture must die, or protection must die, or a way must be found so to revise protection as to insure agriculture a fair exchange value for its crop.

"Agriculture will not die. But protection will die, politically, unless the principles necessary to secure a fair

exchange value for agriculture are added to the doctrine. America could make no greater blunder at this crisis than to abandon protection.

"To retain protection and also secure a fair exchange value for crop, agriculture must be organized and financed to equalize supply with demand on the domestic market and, for this purpose, to withhold crop for fair exchange value and for no higher value, and to divert surplus to export and there sell it at world price."

"Equality for Agriculture"
George N. Peek and Hugh S. Johnson
1922

Farmer's Best Interest Lies In Free Trade

Geo. J. Schulz

"Another assumption is that the farmers' ills will be cured by the tariff. The tariff costs the American farm family from \$30 to \$50 a year. Can the farmer get back what it costs him? Those who can find in the tariff any basis for a permanent solution of the agricultural problem are finding only what they are bent upon looking for. The facts are all the other way. On some farm products the tariff is and will continue to be helpful; but in the main the farmer must buy in this highly protected market and sell in the lowest. Of all the good things to be said for the tariff, farm relief is not one of them. * * * * *

"The farmer's best interests require a movement in the direction of lower tariffs and free trade. Foreign trade is three-cornered. If a tariff shuts Argentine corn out of New York this same corn will compete equally much in Liverpool whither it will be driven by the tariff wall. The world is fast coming to be an economic unit where a balanced world production will be the overshadowing problem, and the free flow of these goods to markets the secondary problem. Farmers should favor the free flow of goods in international commerce as the first step towards a balanced world production. The tariff is one of the greatest obstacles to an economically sane and balanced agriculture."

"The Farm Problem"
George J. Schulz
Summary of Annals of American Academy
of Political and Social Sciences
March 1929

Liberal Trade Policy Would Reduce Crop Restriction

T. W. Schultz

"On the basis of pre-depression trade, our international accounts were out of balance annually around 500 million dollars. It is this gap in America's balance of payments that is still uncorrected. This 500 million dollars measures the shortage of imports of goods and services. It is closely related to farm exports, hence to farm recovery.

"If the present policy of maximum restrictions on incoming trade is continued, then grave adjustments lie ahead for American agriculture. Tariff bargaining under the reciprocal tariff act is not enough. It will not succeed in correcting the lack of balance in America's foreign trade accounts. Agriculture, however, cannot wait. Temporarily, the drought and AAA have given it relief. But soon it will again be faced with liquidating prices unless it can sell abroad at profitable prices.

"The other alternative is curtailment. The latter course involves changing the past economic pattern of crop and animal production. It means finding new uses for millions of acres of crop land. It means shifting from export commodities to dairying, poultry husbandry and others. It means that hundreds of thousands of farm families in the cotton, corn and wheat belts must shift to new employment. It probably means processing taxes and benefit payments. Most important of all, it means that American consumers will have to pay more for their food than they would under a foreign commercial policy which would permit a reasonable volume of foreign trade.

"For the American citizen, a fundamental fact challenges his political foresight: The general consequences of tariffs come and go slowly. A reversal of our tariff policy today does not mean a prosperous agriculture tomorrow. Nor are all the emergency or long-time maladjustments in agriculture the result of the breakdown of foreign trade. A more liberal foreign trade policy, however, would reduce the necessity of generally curtailing agricultural products. It would facilitate a more normal cost and price pattern. Its long run economic effects would be significant, positive and desirable."

"Vanishing Farm Markets
And Our World Trade"

T. W. Schultz

World Peace Foundation, 1935

The Farmer, Not The Industrialist, Benefits By The Tariff

The Sphere

"Finally, during this period of agitation for reduced tariffs in order to 'help' the farmer, one very important consideration should be noted in addition to the fact that the quantity of his exports has been holding steady or actually increasing in the face of our serious depression. The purpose of the tariff revision of 1930 was to protect and assist the American farmer. Industry and manufacture were not seriously considered.

"Our increased tariffs against the raw materials of Canada, Australia, Argentina, Cuba, and other Latin American countries led to the wholesale retaliation which the public is being told resulted from high tariffs on manufactured goods. Our attempts to 'protect' the American farmer have actually destroyed a substantial part of the former export market for American industry and manufacture, Latin America and Canada being two of our most important outlets.

"Under the circumstances it is adding insult to the injury of American trade in the total, to suggest further attempts to penalize American industry and industrial workers for the supposed benefit of the minority agricultural group.

"Although practically all people in the United States pay heavy indirect taxes as a result of our tariffs on important farm products, yet the farmer pays relatively few indirect taxes as a result of the tariff on manufactured goods. His chief current money purchases, aside from coffee, which is free of duty, and sugar and woolen goods, which are taxed for his own advantage, are automobiles, farm implements, radios, etc., all of which probably retail at a lower price in the United States than in any other country."

"Must Industry Pay for Farm Exports?"
The Sphere
February, 1933.

Tariff Reform Is Needed

Editorial

"In the first place, farmers need to remember that tariff reform is needed even tho the processing tax is retained. The tariff should have a provision, like that in the Agricultural Adjustment Act, protecting consumers. Rates should be reduced to a degree that would permit more imports of foreign goods that could be traded for agricultural exports. Even with controlled production, financed by processing taxes, we need more exports in cotton, tobacco, wheat and lard than we've been getting. We can't get these increased exports unless tariff rates come down.

"In reducing tariffs, it is necessary to make gradual changes and to have plans to take care of industries and workers that may possibly be crowded out by the change. Some tariff protected industries have been over-expanded, just as farmers over-expanded their wheat and cotton and hog production under the stimulus of a boom market in Europe. We tried to shrink agricultural production by low prices, and got nothing but bankruptcy and suffering out of it. If we shrink production in certain types of industry, some means must be found to make it easy for the workers in those industries to shift to other jobs. * * * * *

"The tariff is the heart of the problem of expanding farm exports. Unless we expand farm exports, we must have not merely the degree of adjustment control already experienced, but still more, more probably than any farmer wants if he can avoid it. But to make the necessary changes in the tariff schedules calls for more economic statesmanship than has ever been turned on that problem before. Farmers have laid out a hard job for themselves. The job must be done, but we dare not underestimate its difficulties."

"Farmers Tackle the Tariff"
Editorial
Wallaces' Farmer
September 28, 1935.

Tariff Should Be Based On Cost Of Production

T. C. Tucker

"There is no doubt but that during the past quarter of a century the Congress has developed a policy whereby the making of tariffs has become steadily less political and more and more economic. The very logic of circumstances has compelled the recognition of the fact that the tariff does cut across party lines, that it is sometimes highly localized and that it must be economic in its final determination.

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"Indeed, all that Congress needs to do is to repeal the existing reciprocal tariff trading agreement amendment and replace it with a law stipulating that tariff schedules shall be made on the base of differences in cost of production at home and abroad, thereby giving domestic commodities an even break in the American market. Under this policy the United States Tariff Commission should by act of Congress be given the power and facilities to ascertain the differences in the cost of production of competitive American and imported articles and their findings to be the rate of tariff.

"Of course, such findings would have to be reviewed and changed periodically in fairness to the producers and consumers of the commodities affected by the tariff. Such a system, of course, would have its imperfections and would be subject to efforts to manipulate it in favor of selfish interests. That has always been true and unquestionably always will be true, but does not invalidate the policy itself of having tariffs made in the open, with a chance for all parties to be heard and with the provision of machinery having the power and facilities to provide the necessary facts on which the ultimate rates must be justified."

"Scrap Reciprocal Tariff and Policy"

T. C. Tucker

Pacific Rural Press

June 1, 1935.

What Kind Of A Home Market Does The Tariff Give The Farmer?

T. W. Schultz

"Tariffs for the purpose of giving the farmer a home market involve giving protection to industry in order to bring about a working population in our cities large enough to consume all of the farm products grown in this country. Thus it is reasoned that if the manufactured goods which are imported were made at home the additional number of people employed would consume most, if not all, of the 1.5 to 2 billion dollars of farm commodities normally exported.

"A policy of this kind in all probability cannot be successful from the farmer's viewpoint for three reasons: (1) It is apparently impossible to expand our industrial population anywhere near enough to absorb all of the food and raw materials produced on our farms; (2) industrial tariffs always tend to increase the cost of living to farm people, hence are a direct burden on agriculture, and (3) the protected goods absorb, because of their higher price, a greater share of the consumer's income thus leaving him less with which to buy bread and meat.

"Historically, the policy enunciated by Henry Clay more than a century ago has proved for American agriculture, especially for the Mississippi Valley, a direct burden rather than an indirect benefit.

"The American farmer continues to be inescapably dependent upon foreign buying. The home market is, in spite of the phenomenal growth of our cities, too small to absorb the farmer's food and raw materials. Nor is there even a remote probability that our industrial population will furnish during the next decade or two a home market sufficiently large. The farmer must continue to export or face ruinously low prices that result from glutted domestic markets. The crop and animal products of nearly one-fifth of our total crop land were exported from 1922 to 1928. Since then these exports have been piling up until we are confronted with unprecedented carryovers. Under the existing price system, facts force us to accept the conclusion, whether we wish it or not, that farmers must continue to sell abroad or face wholesale liquidation. Temporarily, with governmental aid, production may, of course, be checked or even curtailed to something approaching a domestic basis. But as a long-time policy, it is very problematical.

"Protection did hasten the industrialization of America but the home market for agriculture did not materialize. The prosperity or poverty of American agriculture continues to depend chiefly upon world prices."

"Agricultural Emergency in Iowa"
T. W. Schultz
Agricultural Experiment Station
Iowa State College, Ames
1933

